

Part 1 – Sources of Funding

Looking at different Sources of funding
and how those Sources affect Property
Management

(subtitle: trying to get Property Management
to sign-off on your 8,000 point Application)

Summary of Sources

- Low Income Housing Tax Credits
- Bonds – Taxable and Tax Exempt
- HOME Funds
- Trust Funds
- Affordable Housing Program
- Section 8 vouchers
- There are others – CDBG, CFF, and others

Low Income Housing Tax Credits

- Mix of rents/incomes: 30%, 40%, 50%, 60% and Market Rate
- Very competitive program – you often have to offer many amenities and services to create a competitive Application
- Keys to discuss with Property Management
 - Rent/Income Targeting – what “need” exists in the market
 - Services and amenities – what is needed and what will it cost to operate and maintain
 - Income and Expense budgets – plan ahead and get real budgets
- Sources of Information
 - IHFA - www.ai.org/ihfa/
 - QAP, Applications, Rent/Income Limits, Compliance, etc.

Bonds – Taxable and Tax Exempt

- Usually larger properties
- Require higher rents; usually 60 % and market rents
- Competition is mainly with other market-rate properties as the rents are higher and usually restricted by the market as opposed to tax credit compliance restrictions (and lots of paper work)
- Keys to discuss with Property Management
 - Where are the 60% rents compared to Market rents
 - Services and amenities – what is needed and what will it cost to operate and maintain
 - Income and Expense budgets – plan ahead
- Sources of Information
 - IHFA – 2005 QAP (currently in draft form)
www.in.gov/ihfa/rental/qap/2005/qap2005.htm

HOME Funds

- Can have different rent levels than Tax Credit requirements and is based upon the county the property is located within
- If Home funds exceed 11 units, Davis Bacon " Union " wages will be required for all construction personnel which will increase construction cost
- Keys to discuss with Property Management
 - Which units to assign as HOME (can FLOAT the units)
 - Rents are often lower than Tax Credit Rents
- Sources of Information:
 - IHFA – QAP Schedule E or Participating Jurisdiction
 - HUD – rent and income limits
 - Incomes:www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/2004/index.cfm
 - Rents:www.hud.gov/utilities/intercept.cfm?/offices/cpd/affordablehousing/programs/home/limits/rent/2004/indiana.pdf

Trust Funds

- Administered by IHFA
- Follow LIHTC and HOME rents
- Key Issues to Discuss with Property Management
 - Rents and Incomes – who should you target
- Sources of Information:
 - IHFA QAP Schedule F
<http://www.in.gov/ihfa/rental/qap/2004/schedules/scheduleF.pdf>

Affordable Housing Program

- Seems to be focused more towards non-profits
- Focus also seems to be shifting towards special needs projects with lots of amenities and services
- Difficult or unable to utilize market-rate units if you have AHP funds (need 60% of units at or below 50% AMI)
- Keys to discuss with Property Management:
 - Rent and income targeting – what can the market support
 - Services – what will they cost and who will perform?
- Sources of Information:
 - Federal Home Loan Bank - www.fhlbi.com
 - Affordable Housing Program Implementation Plan

Section 8

- Must be a rehab
- Complicated Projects due to existing occupancy issues
- Rehabs look good on paper but are difficult in reality
 - Can invest \$ 5000-25,000 into unit rehab yet not be able to boost rent or occupancy as the deal required – need to work with Property Management to decide what the best use of resources will be
- Estimates of required repairs do not always come close to actual needs of the project
- Keys to discuss with Property Management
 - Tenant retention/displacement issues
 - Rehab goals

Summary

- All of the agencies have very competitive programs.
- Developers often create a project by what “scores the best”
 - Lower rents (to get more points) may not be achievable if the market does not exist
 - Amenities and Services cannot be afforded or maintained
- Developers need to sit down with the Property Management team to understand if the project, as designed, is viable and manageable.